

# Marketing strategy and pricing strategy of bmw



## **2. INTRODUCTION AND SCOPE OF THE PROJECT**

The topic that has been chosen for the project is related to the car industry i. e. to research the business strategies of BMW. BMW is the leading premium car manufacturer in the world.

The report will look at the current business strategy that BMW adopts and also the future strategy of BMW Group. Business strategy has been defined by Johnson, Scholes & Whittington in their book “ Exploring Corporate Strategy” as “ a strategy that is concerned with how a business competes successfully in a particular market. It concerns strategic decisions about choice of products, meeting needs of customers, gaining advantage over competitors, exploiting or creating new opportunities etc.”

In this project, the author will research the marketing and pricing strategies of BMW Group. Also the markets BMW target and how BMW group as an automobile industry faced the recession period. The project will also look at the growing competition in the automobile industry and the major competitors for BMW Group.

The marketing strategy of BMW Group will include their segmentation, target markets, marketing mix and by using SWOT analysis, the author will describe the advantages and benefits it is delivering to its customers and also its disadvantages. The pricing strategy of BMW will also be described. BMW adopts a differentiated strategy so the author will describe how it affects the prices of BMW cars.

The project was chosen by the author because of the growing competition in automobile industry and also the author's like for the innovation and brilliance of the BMW Group in automobile industry.

### **3. BACKGROUND OF BMW GROUP**

BMW (Bayerische Motoren Werke) in English (Bavarian Motor Works) Group is the leading car manufacturer and seller in the world. BMW Group is a German company and manufacturers of automobiles and motorcycles. BMW Group is the parent company of BMW MINI and Rolls Royce car brands.

BMW was founded by Karl Friedrich Rapp in 1913, under the name of BFW (Bayerische Flugzeug-Werke). But due to difficulties of over expansion, Rapp left and the company was owned by Franz Josef, an Austrian industrialist in 1917.

The headquarters of BMW Group is in Munich, Germany, the famous four cylinder building which was developed in December 1971.

BMW Group employs more than 1 million employees in more than 40 countries. BMW Group has worldwide subsidiaries and manufacturing plants in Germany, the UK, the USA, Egypt, China, South Africa, Brazil, South Africa etc.(Some information taken from [www. bmwgroup. com](http://www.bmwgroup.com))

### **4. CURRENT BUSINESS STRATEGY OF BMW GROUP**

The business strategy of BMW Group is based on having a powerful brand image. This strategy forms the foundation of the success of the BMW Group. BMW Group believes in maintain core values as technology, innovation, performance, quality, reliability, exclusivity and customer satisfaction. The

company slogans of BMW Group in English i. e. “ The Ultimate Driving Machine” and “ Sheer Driving Pleasure” give us an overview of the marketing strategy it adopts.

The strategy of BMW Group is clearly defined on the homepage of the company i. e.

“ Identify potential and encouraging growth. Knowing what we represent. Recognizing where our strengths lie and making the best use of every opportunity. Goals we have attained are in essence the point of departure for new challenges”. (www. bmwgroup. com)

BMW Group mission statement is defined as “ to be the most successful premium manufacturer in the car industry”.

### **Marketing Strategy of BMW Group:**

The success of any company is based on how effective marketing and advertising strategy it adopts. BMW Group adopts a marketing campaign of targeting its customers. In the slogans i. e. “ The Ultimate Driving Machine” and “ Sheer Driving Pleasure”. BMW tells its customers and other people that BMW cars give a pleasure in driving that no other car can give.

The marketing strategy of BMW also consists of a strong advertising strategy. WCRS has been BMW’s advertising agency since 1979 and have really made a great brand image for BMW by advertising campaigns including famous actors like James Bond, Tom Cruise etc.

## **BMW Brand Image:**

The brands of BMW Group include BMW, MINI Cooper and Rolls Royce. The three brands speak for themselves and are of superlative excellence. All of them have great innovation ability and the customers really feel pleasure in driving.

This is also BMW's business strategy i. e. to maintain outstanding brand image among customers. The great advertising strategy of BMW Group is also a reason for BMW's great brand image. This brand image of BMW has been built by using over 300 colour advertisements. BMW Group in all advertisements have remained consistent on the substance used in the cars themselves. The three brands of BMW Group are:

BMW brand focuses on one thing, " Sheer Driving Pleasure".

MINI is different; extroverted, spontaneous and in every respect something out of the ordinary and ideal for a society that is young and unconventional.

In 2003, Rolls Royce became a part of BMW Group and is the most fascinating and popular brand among customers, " the luxury motor car par excellence".

(Information taken from [www. bmweducation. co. uk](http://www.bmweducation.co.uk))

## **5. SEGMENTATION, TARGETING AND POSITIONING FOR BMW GROUP**

Segmentation, Targeting and Positioning for BMW will further describe the marketing strategy of BMW.

## **Segmentation for BMW:**

BMW Group has a strategy of targeting their customers by using segmentation. Geographically, BMW Group targets the areas that are more industrialized like Europe, North America, some parts of Asia and Africa i. e. China and South Africa. More than 70% of sales of BMW cars are recorded in Europe and North America.

## **BMW Targeting:**

BMW Group targets people who are aged between 25 and 40 because these people have a successful image. By, these people have a clean modern look and a feel good factor. BMW Group focuses on being labeled as a “ luxury car” and “ a foreign or international car”, so BMW Group does not look to target one ethnicity or citizenship.

The aim of BMW Group is to target customers that have an income of 25,000 Pounds.

## **BMW Positioning:**

There is a quotation on the website of the BMW Group, which says that “ the image that BMW Group has positioned itself in exclusivity, performance, quality, technologically advanced producer in the world. The markets BMW position themselves are very competitive”.

Most of the people value “ a feeling of safety” while using BMW, which positions BMW Group ahead of its competitors in customer satisfaction.

## **6. MARKETING MIX**

4 P's of marketing i. e. Product, Price, Promotion and Place is called the Marketing Mix. Furthermore, marketing mix will be used to further research that marketing strategy of BMW.

### **1. Product:**

BMW Group wants an efficient and dynamic look to their products. The major emphasis of BMW Group is on product innovation and development.

The latest versions of BMW Group include BMW 1 Series, 3 Series, 5 Series, 6 Series and 7 Series, BMW Z4-Roadster etc. The most recent version of MINI includes the “ MINI Countryman”.

In recent times, BMW Group has started making smaller cars, which shows the company's innovative structure. Also because of the increasing competition in car industry, BMW Group has to come up with some new innovative cars to compete with its competitors. In 2009, BMW Group was named as “ Greenest Premium Manufacturer” by Clean Green Cars website and wins accolades at Fleet news awards 2009 for fuel saving.

### **2. Price:**

The prices of BMW Group are based on a differentiated strategy. This means that they charge extra for premium quality. This difference in prices is due to each cars different engine size, gear levels, fuel consumption, sports version.

### **3. Promotion:**

The BMW Group uses different slogans and advertisements for the promotion of its products. WCRS has been the advertising agency of BMW Group since

1979. The company invests a large amount of money for their cars in films e. g. the film “ The World Is Not Enough”. James Bond drove the new Z8 before the car was launched and in “ Austin Powers 3-Goldmember” the MINI Cooper was used. These advertisement techniques have really helped BMW Group in their promotion of the cars. BMW Group also promotes its cars by using slogans such as “ The Ultimate Driving Machine” and “ Sheer Driving Pleasure”.

#### **4. Place & Distribution:**

The website of BMW Group regarding Placement and Distribution say that “ BMW have 156 dealers in the UK who are franchised to sell BMW cars, additionally 148 dealers are franchised to sell MINI Cooper. Worldwide BMW operate in 100 different countries with over 4. 400 dealers which are authorized to sell both new and used cars, parts and after sales service products”. (www. bmwgroup. com)

#### **Pricing Strategy of BMW:**

The pricing strategy that the BMW Group adopts is based on several key trends. One most important trend of BMW is labeled as “ premium-tization”.

Premium-tization trend of BMW causes polarization of markets. This trend triggers the consumers to demand and pay much higher prices for the perceived quality.

### **7. STRATEGY OF BMW FOR EMERGING MARKETS**

BMW is expanding itself in emerging markets like China, Brazil and India. The CEO of BMW Group, Norbert Reithofer has emphasized his strategy of expansion in emerging and developing markets. In January 2010, BMW had <https://assignbuster.com/marketing-strategy-and-pricing-strategy-of-bmw/>



sold 20, 000 cars only in the Chinese market, a rise of 122 percent from previous month's sales. In the Reithofer strategy for emerging markets, he emphasized on targeting a double-digit growth in the Chinese market for 2010. This can be achieved by expansion of BMW manufacturing plants in China and introducing new innovative cars like introducing small and mini cars for the Chinese people. (www. europeanceo. com)

Another growing market for BMW Group is the Indian market. BMW Group is aiming to become the number one position for the luxury cars in India.

Mercedes-Benz is the leading luxury car manufacturer in the Indian market and BMW Group is completing head to head with Mercedes. BMW sold a total of 2, 305 units in the first eight months of 2009. BMW Group sales in the Indian market come from the company's two luxury models i. e. the 3-series and 5-series. BMW Group is aiming at a sale of more than 3, 000 units in 2010 in the Indian market which the company can accomplish by targeting middle class people of the Indian community.

The Brazilian market has been a growing market in the last decade for most of the automobile manufacturers especially for BMW Group. The BMW Group strategy for Brazilian market is to make joint ventures with other leading car manufacturers in Brazil like the Chrysler Group. In doing so, BMW Group can expand itself in the Brazilian market as being the premium seller and manufacturer of cars.

## **8. ADVANTAGES BMW IS DELIVERING TO ITS CUSTOMERS**

A research was conducted in which the people who used BMW cars were asked about why was the choice of their cars BMW. Questionnaires were given to different people who used BMW cars.

Almost all of the people had one opinion in common about the company i. e. they all a feel a feeling of safety and comfort while driving a BMW car. Also the unique brands of BMW and its performance and quality were also the reasons why they preferred BMW cars over other premium car manufacturers like Mercedes, Audi, Ford, and Lexus etc.

## **9. SWOT ANALYSIS OF BMW GROUP**

A SWOT analysis will be used to see the various Strengths, Weaknesses, Opportunities and Threats of the BMW Group.

### **Strengths:**

Strong marketing strategy.

Customers recognize the strong brand name of BMW Group Company.

Strong brand image i. e. BMW, MINI Cooper and Rolls Royce.

Every 2 to 3 years BMW introduces its new version of cars i. e. constant innovation and technology.

### **Weaknesses:**

There is an increasing number of duplicate spare parts of BMW and MINI Cooper.

The manufacturing costs of BMW cars are very high as compared to its competitors. This is also a reason for high pricing of BMW cars.

Not a mass market company like Toyota and their volumes are small.

### **Opportunities:**

There is an opportunity for BMW Group to increase further innovation and technology in their cars due to increasing competition in car industry.

BMW Group should also look to make new collaboration with other car manufacturers i. e. introducing new brands.

BMW Group should also look to produce cheaper cars by new innovation and technology.

Expansion of the BMW Group in Asia Pacific, Asia, Africa and Australia.

### **Threats:**

Recession which has affected businesses in every part of the world.

To maintain the same level of innovation and performance.

The growing competition in the automobile industry i. e. competitors of BMW Group include Mercedes, Audi, Jaguar, Ford, Lexus.

The earnings of the BMW Group are Dollar dominated, so the increasing strength of Euro is another threat for the company.

## **10. MARKETS OF BMW AND FIGURES OF MARKETS DOMINATED BY BMW SALES DURING RECESSION PERIOD**

BMW Group targets major markets of the world, especially North America and Europe, due to the industrialization and better per capita income. The major markets of BMW Group include Germany, USA, UK, Italy, China, Spain, France and other developing countries like Brazil and South Africa.

In 2009 Germany was the largest market for BMW and MINI automobiles. While USA was the leading market of BMW and MINI automobiles in 2008 and 2007.

The BMW Group sold a total of 1, 286, 310 vehicles worldwide in 2009. While in 2008 the figure of sales was 1, 435, 876 vehicles worldwide. There was a decrease of 10. 4% in sales of BMW Group in 2009 compared to 2008. This decrease in sales was smaller than expected.

Significant growth in sales was recorded in the last quarter of 2009. A substantial increase in sales of 10. 1% in December 2009 was recorded. A total of 123, 571 BMW, MINI AND Rolls Royce automobiles were sold worldwide only in the month of December 2009.

One of the members of Board of Management of BMW Group, Ian Robertson, who is also responsible for sales and marketing said “ We have successful in remaining the world’s leading premium car company in 2009. Despite difficult economic conditions we have been steadily gaining ground since April; since September, sales have been back on the growth track. We are beginning the New Year with a sense of optimism, even though we are still

feeling the effects of the global economic crisis. We are aiming for growth in 2010. The large number of new BMW and MINI models will play a major part in this.”

A new model of BMW 5 Series has been introduced in March 2010 and upto now it has been the new situation in the car industry. This is a positive sign for BMW Group to increase their growth in 2010.

BMW Group once again remained the world’s leading premium car manufacturer despite the global recession. BMW Group reported strong growths in 2009 in emerging markets such as China, Brazil and India.

## **11. COMPETITORS OF BMW**

BMW Group is the leading premium car manufacturer in the world. In recent years BMW Group has been closely marked by its competitors. The major competitors of BMW Group include Mercedes, Audi, Lexus, Ford, Porsche, Jaguar, Honda, Alfa Romeo etc. But the two major competitors of BMW Group are Mercedes-Benz and Audi.

In this situation BMW Group has to maintain a strategy in which BMW Group has advantage over its competitors in the long run.

### **International Sales of BMW & Comparison of BMW, Audi and Mercedes-Benz:**

The sales of BMW Group decreased in the year 2009 due to the economic recession but the decrease in sales was smaller than expected. The sales of the BMW Group worldwide in 2009 were 1, 286, 310 units. As compared to 2008, the sales of the BMW Group were 1, 435, 876 units worldwide. BMW

Group targets the European and North American markets because the countries are more industrialized in these continents. As of now, China is becoming the biggest market for BMW Group cars. BMW Group is also expanding in South Africa in the African continent and in Brazil. BMW Group is also looking to expand their company in developing countries like Pakistan, India and Bangladesh in the South Asian markets.

Audi and Mercedes-Benz have been the nearest to BMW Group in sales in recent years. In Audi and Mercedes-Benz lies the greatest threat for BMW Group.

According to the figures of the last two years, BMW Group has been ahead of sales than Audi and Mercedes-Benz. In 2008 the sales of BMW Group were 1, 435, 876 while Audi and Mercedes-Benz had sales of 1, 223, 506 and 1, 273, 013 respectively. This shows that after BMW Group, Mercedes-Benz cars had the greatest sales. In 2009, the sales of BMW Group, Audi and Mercedes-Benz were 1, 286, 310, 1, 145, 360 and 1, 093, 905 respectively. These figures suggest that Mercedes-Benz are decreasing in sales and are left behind Audi. Now the target of Audi is to catch BMW Group.

To counter Audi and Mercedes-Benz, BMW Group have to come up with a strategy in which they have competitive advantage over Audi and Mercedes-Benz.

BMW Group adopts a differentiation strategy i. e. “ to provide quality products and services to customers by charging an extra premium showing high production costs.”

BMW Group should look for ways of improving their supply chain management. By doing this they can reduce the costs of their cars and could gain more advantage over their competitors.

## **12. FUTURE STRATEGY OF BMW GROUP**

In September 2007, BMW Group announced their new strategic direction. By 2020, BMW Group intends to further strengthen the position of the company by increasing volume of sales to more than two million units per annum.

This target of BMW Group of increasing its volume of production upto 2 million units per annum can be achieved by expanding BMW cars to new markets. Like some markets in the Asian countries such as Pakistan & Bangladesh where the potential for growth is great and also in African countries like more different cars in the South African market and Nigeria who is probably in the top petrol manufacturers in the world. Another expansion for BMW Group can be in the Australian market which is a developed and industrialized economy. But the BMW cars are not used that much as compared to other developed economies.

The mission statement of BMW Group is clearly defined: “ the BMW Group is the world’s leading provider of premium products and premium services for individual mobility”. (www. bmwgroup. com)

This means that in addition to providing quality services to its customers, the BMW Group will engage in new and profitable areas to enhance the business. Another important point in the mission statement was that “ BMW Group will invest substantially in future technologies, new vehicle concepts and pioneering drive systems”.

The BMW Group's new strategy which has been given the name of Number ONE is aimed at profitability and increasing value over the long term. The mission statement of the BMW Group also included the elements in order to achieve the strategy.

Striving in order to reach a leading position in attractive markets.

Focusing on securing a competitive share of the automotive market segments.

Working in order to improve the company's efficiency and cut costs in operations.

(Some information taken from <http://ivythesis.typepad.com>)

### **13. CONCLUSIONS**

BMW Group is the leading premium car manufacturer and seller in the world. The sales of BMW Group are rising day by day. But one great threat for BMW Group is the increasing competition in the automobile market. BMW Group has got fiercing competitors like Audi, Mercedes-Benz being the two nearest to BMW Group in competition in the premium car industry.

BMW Group is now trying to target the emerging markets of the world. The sales of BMW Group in different markets of the world tell that the European and the US markets are the best markets for BMW Group in terms of sales. In recent years, however, the Chinese market has been a great attraction for the BMW Group and sales have been increasing every month for the BMW Group.



In the end it may be said that the BMW Group distinguishes from its customers by its great advertising and marketing campaigns and mostly by their great brand image. The innovation of the company, diversification in new markets, technological advancement and customer satisfaction are the key to BMW success in the luxury car market.

The latest TV-Ad of BMW Group is a great description of BMW Group as an automobile leader in which they say, “ we just don't make cars, we make joy”. BMW Group should also remain careful to the changing trends in demographics, society, thinking of people and remain a diversified company.

## **14. RECOMMENDATIONS**

The future strategic position of BMW Group is based on maximizing the profits of the company and to remain the premium luxury car manufacturer by looking into new areas of automobile industry.

In order to maximize profits of the company, BMW Group will have to reduce costs. The mission statement of the BMW Group says that the company is trying to reduce costs by reducing the number of employees and by reducing costs on Research & Development.

The author's point is to maximize the profits of the company, BMW Group should look to reduce the manufacturing costs of its cars. The company should not look to reduce costs on Research & Development.

Audi Company has a future strategy that focuses on more investment in Research & Development to look into new areas of the automobile industry.

According to the author, BMW Group should also spend more investment on Research & Development, and with new innovation and technology, find ways of decreasing the manufacturing costs of the car. This reduction in costs can be done by doing more effective Supply Chain Management.

A positive aspect of BMW Group's future strategy is investment in emission reduction technologies. BMW Group is aware of the environmental hazards that are taking place in the world and investment in this area will lead to a greater number of customers for the company.

In future strategy, BMW Group should also look to make collaboration with other major car manufacturers in order to remain the leader in the automobile industry and further enhance its brand image.

BMW Group can further widen their strategy and look to add smaller cars like MINI Cooper and increase volumes of smaller cars that are cheaper in price to the bigger cars.